

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 NEA-10 ISO-00 IO-10 SS-15 L-03 OES-03

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00 LAB-04 SIL-01

SAM-01 OMB-01 INT-05 FEA-01 NSC-05 /108 W

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R 111720Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9021

INFO ALL EC CAPITALS 0740

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

C O N F I D E N T I A L EC BRUSSELS 05218

E.O. 11652: ADS "DECLASSIFY JAN. 1, 1978"

TAGS: EFIN, EEC

SUBJECT: EC COMMON BORROWING FACILITY--RESULTS OF TALKS
WITH SAUDI ARABIA

REF: EC BRUSSELS 4758

1. SUMMARY: SAUDI ARABIAN OFFICIALS HAVE INDICATED THAT THE EC MIGHT OBTAIN BETWEEN \$500-700 MILLION FOR THE EC COMMON BORROWING FACILITY. THIS OFFER WAS CONSIDERABLY LESS THAN WHAT THE COMMISSION WAS HOPING FOR. THE COMMISSION WILL NOW ASK THE EC FINANCE MINISTERS ON JUNE 16 FOR AUTHORITY TO PUT THE FACILITY INTO OPERATION. END SUMMARY.

2. EC COMMISSION OFFICIALS WERE SOMEWHAT DISAPPOINTED WITH THE RESULTS OF THEIR DISCUSSIONS WITH SAG OFFICIALS IN JIDDA AND RIYADH ON JUNE 2-4 CONCERNING A POSSIBLE LOAN TO THE EC COMMON BORROWING FACILITY. THE GOVERNOR OF THE SAUDI ARABIAN MONETARY AGENCY, AL-QUARASHI, INDICATED THAT THE EC MIGHT OBTAIN BETWEEN \$500-\$700 MILLION BUT THIS WOULD
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BE CONTINGENT UPON A PROMPT BORROWING. A DELAY WOULD LIKELY

REDUCE THE AMOUNT AVAILABLE BECAUSE OF OTHER SAG COMMITMENTS LATER ON THIS YEAR. COMMISSION OFFICIALS HAD BEEN HOPING THAT THE SAG WOULD BE ABLE TO LOAN OVER \$1 BILLION TO THE FACILITY. THERE WAS NO DISCUSSION OF THE TERMS OF A POSSIBLE LOAN.

3. THE KUWAITI FINANCE MINISTER WAS NOT AVAILABLE TO SEE THE COMMISSION DELEGATION DURING ITS VISIT. TENTATIVE PLANS HAVE BEEN MADE FOR VICE PRESIDENT HAFERKAMP TO VISIT KUWAIT ON JUNE 21 BUT FIRST THE COMMISSION WANTS A CLEAR INDICATION OF EC MEMBER STATES' INTENTIONS. THE COMMISSION PLANS TO ASK THE FINANCE MINISTERS ON JUNE 16 WHETHER THEY WANT TO GO AHEAD WITH A BORROWING. THIS WOULD REQUIRE ONE OR MORE MEMBER STATES MAKING A FORMAL LOAN APPLICATION TO THE COUNCIL AND THE COUNCIL'S AGREEMENT TO AN EC BORROWING. IF THE COUNCIL DOES NOT REACH A DECISION, THE COMMISSION WILL LIKELY CANCEL HAFERKAMP'S TRIP TO KUWAIT AND INDEFINITELY PUT OFF PLANS TO USE THE FACILITY.

4. DESPITE THE SAG'S DISAPPOINTING OFFER, HAFERKAMP WAS PLEASED WITH HIS RECEPTION IN SAUDI ARABIA. HE MET WITH THE KING, CROWN PRINCE AND KEY FINANCIAL OFFICIALS. SAG OFFICIALS SAID THEY WANTED TO DIVERSIFY THEIR RELATIONS WITH WESTERN INDUSTRIALIZED COUNTRIES AND LOOKED FORWARD TO DEVELOPING CLOSER TIES WITH THE COMMUNITY. THE SAG INVITED THE EC COMMISSION TO LOOK OVER ITS NEW FIVE-YEAR DEVELOPMENT PLAN AND TO MAKE SPECIFIC PROPOSALS REGARDING AREAS IN WHICH IT COULD COOPERATE. COMMISSION OFFICIALS WOULD LIKE TO RESPOND, BY, FOR EXAMPLE, PROPOSING A JOINT PROJECT TO STUDY USES OF SOLAR ENERGY OR DESALINIZATION OF SEA WATER.

5. COMMISSION FINANCIAL OFFICIALS ARE NOT HOPEFUL, HOWEVER, THAT THE MEMBER STATES WILL APPROVE JOINT EC-SAG PROJECTS BECAUSE IN THE PAST THEY HAVE PREFERRED TO RELY ON BILATERAL CONTACTS WITH THE MIDDLE EASTERN COUNTRIES. THE MEMBER STATES HAVE BEEN RELUCTANT TO HAVE THE COMMISSION INTERFERE IN POLITICAL COOPERATION WITH NON-ASSOCIATED THIRD COUNTRIES.

6. SAG OFFICIALS TOLD THE COMMISSION DELEGATION THAT THEY DID NOT PLACE GREAT IMPORTANCE ON THE EURO-ARAB DIALOGUE. THEY
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PREFERRED BILATERAL CONTACTS WHICH COULD FOCUS ON IMMEDIATE SAUDI PROBLEMS. SAG OFFICIALS ALSO INDICATED LITTLE INTEREST IN DEVELOPING TRIANGULAR INVESTMENT ACTIVITIES TO PROMOTE LDC DEVELOPMENT. INSTEAD, THE SAG PREFERRED TO DIRECT ATTENTION TOWARD ITS OWN DEVELOPMENTAL NEEDS. GREENWALD

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